

BEST COPY

AVAILABLE

~~FOR OFFICIAL USE ONLY~~

17 JUN 1959

MEMORANDUM FOR: Deputy Director/Intelligence

SUBJECT: Comments on CYSP 50 5/1, DIA Policy on
Assistance to Agriculture Abroad

1. We feel that the proposed policy may seriously restrict the alternatives open to the US in either forestalling or meeting Soviet economic activity in underdeveloped countries. The underdeveloped countries are, of course, primarily agricultural countries. Under the proposed policy, aid cannot be given, however beneficial it may be, if it increases the production of "(a) surplus foods and feeds with the result of substantially increasing exports, or (b) surplus agricultural commodities other than food and feed."

2. Such a policy would seem more appropriate to a case in which the US had a monopoly in foreign assistance than to the present situation in which the USSR, a country not troubled by agricultural surpluses, can offer aid without the US conditions. It is true that under (a) above, assistance may still be rendered for increasing the production of surplus foods and feeds if the assistance does not substantially increase exports. In practice, this policy is likely to restrict seriously the aid programs which can be considered, since the surplus commodities named in CYSP 50 5/1 are in many cases already very important exports of the underdeveloped countries. Moreover, these exports would almost certainly have to be continued or even increased in order to finance programs of industrial development.

3. Although not bearing strictly on the proposed policy as worded, it is also worth noting that any increase in the production of the named commodities is a potential threat to the price structure, reduces markets for surplus producing countries, and is potentially a source of exports. It is also true that paragraph B-2 provides for exceptions "in the light of total US interest." It seems unfortunate, however, that the total US interest is introduced to justify an exception to a policy rather than as the basis for a policy. If it were the basis for a policy, one could not object

~~CIA INTERNAL USE ONLY~~

~~FOR OFFICIAL USE ONLY~~

- 2 -

SUBJECT: Comments on CFP 505/1, ICA Policy on Assistance to Agriculture Abroad

to a proviso that the effect of an aid program on the production of surplus agricultural commodities would be one consideration in evaluating the program. As it is, in view of the domestic political pressures involved, one may suspect that it would be very difficult for an administrator to decide upon programs contrary to a definite and clearly stated policy.

4. The proposed policy ignores the well known fact that changes in agricultural technology often have multiple economic effects. An improvement in technology may, for example, simultaneously increase production and reduce costs. The failure to undertake a program which reduces costs and saves resources solely on the basis of its possible effect on the production of surplus commodities appears inconsistent with the purpose stated in A-2 of furthering the economic development and strengthening the freedom of free peoples and of the purpose in A-3 of contributing to the balanced economic growth of the country.

5. If this policy becomes widely known to the underdeveloped countries, as it surely must, these countries will not be slow to compare it with US policy toward its own agriculture. That is, there has never been any serious proposal that technical assistance to US agriculture through such government programs as those for subsidized research and extension services should be determined on the basis of the effects on agricultural surpluses. On the contrary, it is widely recognized that technological developments have such widespread beneficial effects that they should be promoted even though they add to agricultural surpluses.

6. Certain statements in CFP 505/1 may be construed so as to leave very unfortunate impressions. Paragraph A-3, for example, says that "In any effort to ... reduce or eliminate hunger, mal-nutrition and starvation ... the criteria for providing support to agricultural projects should be the same criteria that govern aid to other segments of the foreign economy, i.e., that the project must be economically sound ..." Paragraph A-4 might suggest that we will help underdeveloped countries to increase

~~TOP SECRET~~ ~~EX-REF ID: A6114~~

ALL INFORMATION CONTAINED

- 3 -

SUBJECT: **Comments on CPEP 565/1, ICA Policy on Assistance to Agriculture Abroad**

agricultural production and reduce hunger only if it does not affect the prices received by American farmers and does not hurt US commercial interests. It is precisely this kind of motivation which Mr. Khrushchev is fond of attributing to the "US imperialists."

25X1

ORIO E. GOTHE
Assistant Director
Research and Reports

Distribution

0 & 1 - Addressee
2 - OAD
✓1 - Ch/E
1 - Ch/D/S
1 - M/AC
2 - D/M

25X1

25X1

ORR:OCh/E: (16 June 1959)

ALL INFORMATION CONTAINED